

**MINUTES OF THE
SCHEDULED REGULAR MEETING
OF THE COMMISSIONERS OF THE
HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MINNESOTA
HELD ON THE 29th DAY OF SEPTEMBER, 2015**

The Commissioners of the Housing and Redevelopment Authority of Duluth, Minnesota, met in a Scheduled Regular Meeting in the Community Room located on the Second Floor of King Manor, 222 East Second Street, Duluth, Minnesota at 3:30 P.M. on the 29th day of September, 2015.

The Chair called the Meeting to order and on roll call the following members were found to be present: Commissioners Cuneo, Reichert, Rolle, and Thomas. Commissioners Boshey, Glumac, and Johnson were absent. The Chair declared a quorum present.

Also present were Jill A. Knutson-Kaske, Executive Director; staff members Carla Schneider, Maureen Zupancich, Pam Benson, David Peterson, and Lynne Snyder; Dan Maddy, Legal Counsel; and Barbara Findley, Ann Abraham, and James Buchanan, King Manor residents.

SCHEDULED PUBLIC HEARING

The Chair indicated that there was a scheduled public hearing. Legal Counsel explained that a public hearing was an opportunity for the public to speak with respect to refinancing of a debt for the Duluth Heritage Sports Center. He indicated that there was not going to be any action on this at today's Board meeting. The request has been withdrawn at this time because if this was approved today, they would have to close before the end of October which they were not ready to do. The financing that would be provided would be approximately \$2,800,000 which would be used to refinance the Heritage Sports Center facility in West Duluth. He asked if anyone from the public would like to speak, and no one responded. He explained that the Board would have full opportunity to discuss the financing when the request was submitted again at a later date. The Chair stated that the public hearing was closed and they would move on to regular business.

UNFINISHED BUSINESS

None.

CONSENT AGENDA:

The Chair indicated that Item C would be moved to the Discussion Items. The following items were introduced by Commissioner Thomas:

**MINUTES OF THE SCHEDULED REGULAR MEETING OF
AUGUST 25, 2015**

FINANCIAL REPORT FOR PERIOD ENDING AUGUST 31, 2015

Commissioner Thomas moved that the foregoing Items A and B be approved as introduced. Commissioner Rolle seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Reichert, Rolle, and Thomas

Nays: None

The Chair declared the motion carried and said items approved as introduced and read.

DISCUSSION ITEMS

PHA BOARD RESOLUTION APROVING OPERATING BUDGET

The Executive Director indicated that there had been a Finance Committee meeting with the Comptroller and other staff members to review the operating budget in detail. The reason this Resolution was moved from Consent Items to Discussion Items was due to a revised budget. They had just learned that the public housing program operating subsidy was being reduced from the 100 percent interim operating subsidy to 85.36 percent final operating subsidy. She explained that even though they had based the budget on a 94 percent operating subsidy rather than using the 100 percent interim figure that had been provided, she wanted to alert the Board to the significant change that was made to the public housing portion of the budget. In revising the budget, they removed the asset management fees that were going to be charged to fund the Authority's own bedbug elimination service rather than using a contracted company, and they reduced the extraordinary maintenance line item by delaying certain projects. After Carla Schneider, Deputy Director, answered Commissioners' questions, the following Resolution was introduced by Commissioner Rolle:

**RESOLUTION NO. 3617-15
PHA BOARD RESOLUTION APPROVING OPERATING BUDGET**

Commissioner Rolle moved that the foregoing Resolution be approved as introduced. Commissioner Cuneo seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Reichert, Rolle, and Thomas

Nays: None

The Chair declared the motion carried and said Resolution approved as introduced and read.

RESOLUTION AUTHORIZING BAD DEBT WRITE-OFFS

The Executive Director asked Maureen Zupancich, Comptroller, to explain this Resolution authorizing bad debt write-offs. Maureen explained that on a bi-annual basis the Authority evaluates their accounts receivable and they write-off any accounts from public housing clients who have vacated their unit and owed the Authority money for more than three months. These bad debts may be submitted to revenue recapture. She indicated that this did not mean that the Authority would stop collection attempts, but these bad debts were just removed from the account receivable books. The following Resolution was introduced by Commissioner Rolle:

RESOLUTION NO. 3618-15 RESOLUTION AUTHORIZING BAD DEBT WRITE-OFFS

Commissioner Rolle moved that the foregoing Resolution be approved as introduced. Commissioner Thomas seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Reichert, Rolle, and Thomas

Nays: None

The Chair declared the motion carried and said Resolution approved as introduced and read.

RESOLUTION AUTHORIZING BAD DEBT WRITE-OFFS

Maureen explained that this Resolution was the same as the previous Resolution, but related to the Esmond building instead of the Authority's public housing units. After she answered Commissioner Rolle's questions, the following Resolution was introduced by Commissioner Rolle:

RESOLUTION NO. 3619-15 RESOLUTION AUTHORIZING BAD WRITE-OFFS

Commissioner Rolle moved that the foregoing Resolution be approved as introduced. Commissioner Cuneo seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Reichert, Rolle, and Thomas

Nays: None

The Chair declared the motion carried and said Resolution approved as introduced and read.

RESOLUTION AUTHORIZING THE HRA TO PARTNER WITH THE CITY OF DULUTH AND LOCAL NON-PROFIT ORGANIZATIONS THROUGH THE NATIONAL DISASTER RESILIENCY COMPETITION IN ORDER TO ASSIST IN PREDEVELOPMENT ACTIVITIES RELATED TO THE REDEVELOPMENT OF THE HILLSIDE HEALTH DISTRICT

The Executive Director mentioned that she had reported at the last Finance Committee meeting regarding the National Disaster Resiliency Competition (NDRC), and one of the projects in that grant was to redevelop the hillside health district. As she had mentioned at the Finance Committee meeting, it had been explained to her that the Authority's participation would just be in a pass through role helping with the acquisition, but a developer would be in place at the time of closing, so the Authority would never really hold the property for any period of time. She indicated that she had explained to the partners that in order for the Authority to hold the property she would need funds from the NDRC to cover relocation costs and other unforeseen costs that could occur. Since that conversation, the partners have changed how they would like this to happen. They would rather have the Authority acquire the property and hold it, as we did with the purchase of the Steve O'Neil building. She indicated that she has remained firm due to the concern regarding relocation costs, the concern regarding unforeseen circumstances, and the HRA wasn't in a position to take on any of those risks, as much as they believe the project was valuable. She explained that she wanted to bring before the Board a Resolution so the Authority could continue working with the partners to move forward on this project, so this revised Resolution, rather than referring to acquisition, now referred to the Authority partnering with the local non-profits organizations through the NDRC to help redevelop the hillside health district.

The Chair asked Pam Kramer if she cared to speak. Pam Kramer, the Executive Director of Duluth's Local Initiatives Support Corporation, gave a brief overview of the project and LISC's involvement, and she spoke to the significance of the site. She explained that the Housing Authority has the positive reputation of being the Redevelopment Authority

in the community and it would be helpful in this HUD grant application competition to show that the Housing and Redevelopment Authority was involved in the project. She thought the details were still coming together, but she saw the Authority being involved in the application process, and part of the RFP and selection process of a for-profit developer to partner with the local non-profit. The Chair stated that this Resolution gave the Authority's Executive Director the option of negotiating, but the Board needed to know that the funds were available to cover any expense to the Authority.

The following Resolution was introduced by Commissioner Thomas:

RESOLUTION NO. 3620-15
RESOLUTION AUTHORIZING THE HRA TO PARTNER WITH THE
CITY OF DULUTH AND LOCAL NON-PROFIT ORGANIZATIONS THROUGH
THE DISASTER RESILIENCY COMPETITION IN ORDER TO ASSIST IN
PREDEVELOPMENT ACTIVITIES RELATED TO THE REDEVELOPMENT
OF THE HILLSIDE HEALTH DISTRICT

Commissioner Thomas moved that the foregoing Resolution be approved as revised. Commissioner Cuneo seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Reichert, Rolle, and Thomas

Nays: None

The Chair declared the motion carried and said Resolution approved as revised.

RESOLUTION TO APPROVE MODIFICATIONS TO HOPE VI LOAN
RELATING TO THE VILLAGE AT MATTERHORN PROJECT

Legal Counsel explained that the focus of this Resolution was to make two modifications to the existing HOPE VI loan at the Village of Matterhorn. The first change would be to extend the term of the loan, at the request of HUD, to a term that was not less than 35 years from the proposed first loan they were negotiating was closed. The second change was being requested by MHFA and GMHF. Legal Counsel has provided the Board with a lengthy letter which provided the background on the loans that were made, the relative terms of the loans that were made, and it also discussed the refinancing loan that has been proposed. In 2013 the Board gave the Executive Director the authority to subordinate to that loan and to consent to that loan. They have been negotiating with HUD regarding the terms of some subordinations that were requested. He indicated that the Executive Director was at a point where she was willing to enter into the subordination agreements that have been proposed. The Authority has also received a request from GMHF and

MHFA, who were also being asked to be subordinate and who were currently subordinate to the Authority, that the Authority reduces the interest rate on our loan to one percent. Their reason for asking for that was that they were also being asked to extend out the term of their loan, and they look at our loan compounding accrual because there was no expectation of payments on our loan, and they see the Authority's loan increasing before the time at which their loans were meant to be refinanced, and so they have concerns that they will not get repaid. Legal Counsel indicated that he was suggesting that if the Authority was going to consider a rate reduction that they not do so until after the 15 year compliance period was over and the option comes due, and the Authority makes the decision as to whether the option would be exercised or not. The following Resolution was introduced by Commissioner Rolle:

RESOLUTION NO. 3621-15
RESOLUTION TO APPROVE MODIFICATIONS TO HOPE VI LOAN
RELATING TO THE VILLAGE AT MATTERHORN PROJECT

Commissioner Rolle moved that the foregoing Resolution be approved as introduced. Commissioner Thomas seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Reichert, Rolle, and Thomas

Nays: None

The Chair declared the motion carried and said Resolution approved as introduced and read.

Commissioner Cuneo left at 4:15 P.M.

COMMUNICATIONS/CORRESPONDENCE

The Executive Director indicated that in the blue pages of the board packet was an article regarding the Morgan Park housing development and the Morgan Park neighborhood meeting, and an article regarding the Morgan Park project getting an okay from the City Planning Commission. There was also an article regarding the Northland's rising rents and falling incomes of renters for which she thanked Pam Benson, Director of Housing, and Mary Pelofske, Housing Operations Supervisor, for providing statistics so she could talk to the reporter.

REPORTS OF COMMITTEES

Rehab Advisory Committee: The Rehab Advisory Committee had not met.

Finance Committee: Commissioner Rolle indicated that the Finance Committee had met, and much of what was reviewed at that meeting has been discussed at this Board meeting. He indicated that there had also been discussion requested by Commissioner Johnson regarding the history of the Hawk Ridge Estates development and lot sales.

OPPORTUNITY FOR VISITORS TO BE HEARD

James Buchanan, a King Manor resident, indicated that rather than speaking he would like to distribute a handout with ideas he had written that might improve the living conditions for the residents.

BUSINESS BY COMMISSIONERS

The Executive Director updated each of the dashboard goals. Goal #1 had no changes this month.

The Executive Director indicated that regarding Goal #2, they were working with LISC to set up an artist pop up at the Esmond building commercial space. David Peterson, Development Coordinator, reported that the groundbreaking would soon occur on two model homes in the Build Up Duluth program, and they would make Board members aware of the times and locations. She also mentioned that the owner occupied rental rehab portion of Build Up Duluth has been very successful.

Goal #3 had no changes.

There were no changes in Goal #4, but the Executive Director indicated that she was still in contact with staff at Ehlers and Aaron Schweiger, with Augusta Housing regarding the Morgan Park school site. The original TIF numbers were not coming in at the levels Aaron had hoped for, so they were considering some other alternatives such as abatement and talking with City Councilors to explore other options.

In regards to Goal #5, the Executive Director explained that they were working with Eco3 and the NDRC grant for potential solar funding or for some Monopath cold climate homes to potentially be built on the Harbor Highlands site.

In connection with Goal #6, the Executive Director indicated that she had contacted the Mayor regarding potential candidates for the Authority's Board of Commissioners, as there were two Commissioners whose terms would be ending. The Mayor indicated he welcomed suggestions from the Board. She also mentioned that for the upcoming health fair HRA staff was encouraged to attend.

Regarding Goal #7, the Executive Director indicated that open enrollment for health and

dental benefits through the City would be electronic this year, and they were communicating this to staff and collecting feedback. Regarding other communication items, she indicated that they had received a bid from WestmorelandFlint for an interactive website and a two minute video. The website was quite cost prohibitive and it would take additional partners to fund, but she indicated that she would explore funding further with the City and the County. The video may be a tool that could be used with partners, policy makers, and the general public, and she was exploring getting this donated to the Authority.

REPORT OF EXECUTIVE DIRECTOR

The Executive Director reported that when the Authority's tax levy was brought before the City Council, City Councilors had questioned the difference in the 2015 to 2016 calculation. She indicated that this had been an opportunity to work with the City Auditor, the City Administrator, and City Councilors to show positive cooperation and compromise, and the end result was that the Authority's tax levy rate would remain the same as last year's and by using the same base amount as last year's, the Authority's tax levy dollars would increase by approximately \$41,000.

The Executive Director reported that she, the Deputy Director, and the Comptroller met with each department director and property manager to go over their budget proposals. She thanked the staff for all their hard work.

The Executive Director mentioned that she and David Peterson talked with LISC staff to explore the possibility of an artist pop up using the Esmond commercial space. They have asked the property manager at the Esmond to order extermination services for the three commercial spaces, rehab staff was ordering some minor concrete repairs, and they would be going out for bids to paint the exterior of those spaces. She indicated that through this pop up she was hopeful they may find some longer term commercial renters.

The Executive Director reported that that the RAD planning was continuing. The Authority had received verbal notice that the second application would be approved, and it had been a misunderstanding at HUD that there were two applications. She also reported that they have placed a RFQ for development partners, and the deadline for submission was October 7th. She indicated that at the last meeting Commissioners had asked for a more in depth explanation of RAD which she had included in their green folders today.

The Executive Director explained that the National Resiliency Competition (NDRC) has become a focus of some planning because the Esmond building was being considered as a redevelopment activity for the application. It was being proposed to use some of the NDRC funds to repay the HRA as well as assist with the replacement housing and some of the redevelopment for the building. She still fully anticipated that even with this

funding they would need to plan on covering the operating expenses for year four.

The Executive Director met with the City who was interested in the HRA playing a greater role in the Coordinated Entry program, and Pam Benson would be determining the funding necessary to accomplish this.

The Executive Director reported that through a grant from the Kresgne Foundation the Urban Land Institute (ULI) came to Duluth to study resiliency. She and David Peterson met with them and attended the final presentation of their findings, and she, Lynne Snyder, and David Peterson also participated in their panel interview and provided input for their research. She indicated that the Lincoln Park neighborhood was one of their focal points, and in their final presentation the Esmond was highlighted. The final report with their recommendations should be completed by this winter, and these findings may strengthen the NDRC application.

The Executive Director indicated that they still hadn't heard anything regarding the tax credit application in regards to Gateway, and hopefully they will have news regarding that by the October meeting. She also reported that Nationwide, the management company, was being very helpful with the GIN notices to tenants and the financial screening needed for the potential vouchers for that site.

The Executive Director reported that there had been an incident at the Esmond building in which a resident had an unfortunate episode and had vandalized windows, fire extinguishers, security cameras, and exit signs. There was a \$10,000 deductible on the Authority's insurance policy and the damage would probably come close to that amount. They were planning on using the MHFA operating subsidy first to pay the deductible before the Authority's funds set aside for the elevator costs were used.

Commissioner Rolle asked the Executive Director One Roof's status regarding homeownership bids, and she indicated that it was her understanding that the NDR competition has taken up most of their time, but they were trying getting preliminary numbers from Common Ground. He also asked David Peterson whether the Build Up Duluth developers had broken ground. David indicated they should be getting their building permits shortly and were ready to start construction as soon as that happened.

The Chair asked what the range was for the potential grant that might be available from the NDRC. Pam Kramer reported that the range was \$1,500,000 per applicant. The Duluth application was going to be around \$80,000,000, and the guaranteed award minimum was \$1,000,000.

REPORT OF LEGAL COUNSEL: MONTHLY ACTIVITIES

Legal Counsel reported that most of his work this month had been on the Village of

Matterhorn and on the various Hillside projects.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 4:40 P.M.

Chair

ATTEST:

Secretary

Scheduled Regular Meeting – September 29, 2015